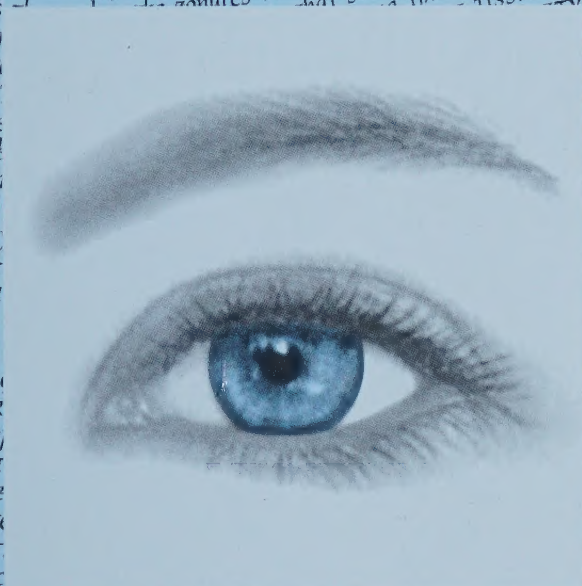
GIMBEL VISION INTERNATIONAL INC. 2001 ANNUAL REPORT

lossary of Vision Terms ACCOMMODATION: The ability of the eye to change its focus from distant to near objects;
rocess achieved by the lens changing its shape. ANTERIOR CHAMBER: The space in front of the iris and behind the
rnea. AQUEOUS HUMOR, AQUEOUS FLUID (A-kwe-us): Clear, watery fluid that flows between and nourishes the
ns and the cornea; secreted by the ciliary processes. ASTIGMATISM (uh-STIG-muh-tizm): A condition in which
e surface of the cornea is not spherical; causes a blurred image to be received at the retina. BINOCULAR VISION
he blending of the separate images seen by each eye into a single image; allows images to be seen with depth. BLIND
POT: (1) A small area of the retina where the optic nerve enters the eye; occurs normally in all eyes. (2) Any gap
the visual field corresponding to an area of the retina where no visual cells are present; associated with eye dis
se. CENTRAL RETINAL ARTERY: The blood vessel that carries blood into eye; supplies nutrition to the retina. CEN
RAL RETINAL VEIN: The blood vessel that carries blood from the retina. CENTRAL VISION: See VISUAL ACUITY.
HOROID (KOR-oyd): The layer filled with blood vessels that nourishes the retina; part of the uvea. CILIARY MUS
LES: The muscles zonules to enable the lens to change shape for focusing. CILIARY PROCESSES: The
xtensions or pro that secrete aqueous humor. CONES, CONE CELLS: One type of special
ed light-sensitiv that provide sharp central vision and color vision. Also see
ODS. CONJUNC tissue (membrane) that lines the inner surfaces of
he eyelids and the : The ability to perceive differences between
n object and its rent, dome-like structure that covers the
is, pupil, and a TION: A process by which the pupil is tem
orarily enlarged specialist to better view the inside of the
e. DRUSEN: Tin ead. FLUORESCEIN ANGIOGRAPHY (FLOR-
h-seen an-jee-A retina, choroid, and iris. A special dye is
njected into a vei s through blood vessels in the eye. FOVEA
FOH-vee-uh): The vision. FUNDUS: The interior lining of the
yeball, including r eye that can be seen during an eye exam
nation by lookin): Farsightedness; ability to see distant
bjects more clear contact lenses. INTRAOCULAR PRESSURE
OP): Pressure o dividuals. IRIS: The colored ring of tissue
uspended behind t es the amount of light entering the eye by
djusting the size small almond-shaped structure that pro
uces tears; locat nsparent, double convex (outward curve on
oth sides) struct to focus light on the retina. LOW VISION.
isual loss that and interferes with daily living activities.



ACULA (MAK-yoo-luh): The small, na; provides vision for fine work and read
g. MYOPIA (my-OH-pee-uh): Nearsightedness; ts more clearly than distant objects; may
e corrected with glasses or contact lenses. OPTIC p-like area in the center of the optic disc
PTIC DISC/OPTIC NERVE HEAD: The circular area (disc) ptic nerve connects to the retina. OPTIC
ERVE: The bundle of over one million nerve fibers that carry visual messages from the retina to the brain. PERIPH
RAL VISION (per-IF-ur-al): Side vision; ability to see objects and movement outside of the direct line of vision.
OSTERIOR CHAMBER: The space between the back of the iris and the front face of the vitreous; filled with aqueous
luid. PRESBYOPIA (prez-bee-OH-pee-uh): The gradual loss of the eye's ability to change focus (accommodation)
or seeing near objects caused by the lens becoming less elastic; associated with aging; occurs in almost all people
ver age 45. PUPIL: The adjustable opening at the center of the iris that allows varying amounts of light to enter the
ye. REFRACTION: A test to determine the best eyeglasses or contact lenses to correct a refractive error (myopia
yperopia, or astigmatism). RETINA (RET-in-nuh): The light-sensitive layer of tissue that lines the back of the
yeball; sends visual messages through the optic nerve to the brain. RETINAL PIGMENT EPITHELIUM (RPE) (ep-ih-
HEE-lee-um): The pigment cell layer that nourishes the retinal cells; located just outside the retina and attached
o the choroid. RODS, ROD CELLS: One type of specialized light-sensitive cells (photoreceptors) in the retina that
rovide side vision and the ability to see objects in dim light (night vision). Also see CONES. SCHLEMM'S CANAL:

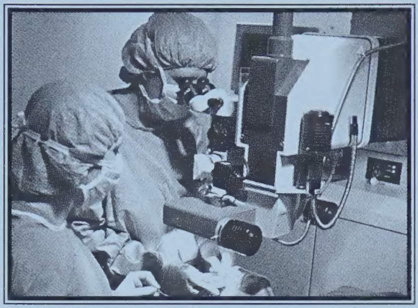
CORPORATE PROFILE

Gimbel Vision International Inc. ("GVI") is a Canadian-based company that operates vision treatment centres primarily in Canada. The GVI network of centres offers clients a comprehensive range of vision correction services, based on the well-recognized expertise and quality of its surgeons and GVI's commitment to leading edge technology. GVI works with certain centres outside Canada to provide a proven, innovative and cost-effective operational structure, and access to a range of professional services such as physician and staff training, technical equipment support, human resources services, and marketing materials and support.

GVI is listed on the TSX Venture Exchange and trades under the symbol GBV.

TSX-V: GBV

Gimbel Vision International Inc.'s ("GVI") historical success was based on expansion through partnerships with successful refractive vision correction centres in Canada, the United States, Thailand and China. However, the maturing of the refractive vision industry has created a dramatically different competitive climate for GVI.



The past two years have been challenging as GVI has responded to changing conditions within the industry and within the global marketplace. As a result, GVI has pulled back from its strategy of expansion and is repositioning itself for the future. We know that GVI's future cannot be based solely on refractive surgery, therefore, we are looking for new, related opportunities that will restore growth and profitability to the Corporation.

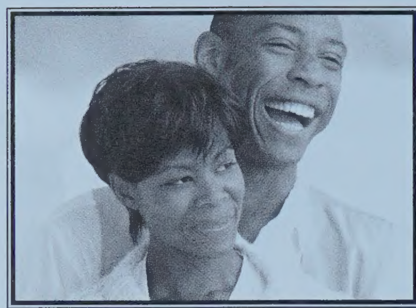
During the year 2001, we witnessed tremendous global and economic transition that was amplified by the violence of September 11. The world seemed to stop to digest the horror of the day and individuals suddenly reevaluated priorities. The economic downturn that had begun to impact our business mid-year was now exacerbated. GVI faced immediate and dramatic decreases in surgical volumes. This downturn in surgical bookings was felt at all North American locations. Existing patients already scheduled for surgery became reluctant to travel and potential patients postponed discretionary purchases. In the ensuing months, GVI has focused on winning back our patients and we are pleased to report that surgery volumes have stabilized, but are well below levels experienced several years ago.

As GVI worked throughout the year to increase surgery volumes the value of the new majority shareholder, Aris Vision, Inc. of Los Angeles, California, became more apparent. GVI benefited from Aris' knowledge of the industry, management expertise and capital. For example, GVI was able to significantly reduce marketing costs through the implementation of Aris' business development strategies. Corporate contracts were signed with companies in each of our markets and a renewed focus was placed on developing relationships with optometrists. Aris also provided a timely cash infusion that has allowed GVI to continue its restructuring efforts.

As the year progressed, GVI continued its transition from a family-controlled business to an independent business. The private and public companies have continued a move to operate more independently of each other. Although this process has presented its challenges, we believe that the separation will ultimately provide new opportunities for both parties and will free GVI's management to explore new business opportunities.

Our approach to overcoming the challenges we faced this year was based on a plan to streamline our operations and to ensure the viability of GVI.

Through these actions, GVI successfully maneuvered past obstacles:



First, we had to respond to the Corporation's immediate cash position. Facilities that were not contributing positively to the bottom-line were wound-down, disposed of, or sold. While this approach decreased our overall holdings it was a positive step as it lowered our outstanding liabilities and should help to increase future operating margins. These efforts allowed GVI sufficient time to review its options and to develop a plan going forward. After completing this process it became evident that GVI would need a substantial cash influx. For this reason, the sale of the Calgary and Edmonton centres has been negotiated.

Second, we worked harder to reduce costs and increase revenues at GVI's existing operations. Expenses were scrutinized in all areas and staffing levels reduced wherever possible.

Third, we continued to look for ways to diversify our operations. It has been said, "The best way to predict your future is to create it." We have worked to do just that. For example, in January 2002, GVI entered into a letter of intent with OccuLogix Corporation ("OccuLogix") to become the Preferred Provider in Canada for OccuLogix's proprietary Rheopheresis blood filtration process, a revolutionary treatment for Dry Age-Related Macular Degeneration ("AMD"), the leading cause of legal blindness in people over 50 years of age. We will continue to pursue similar opportunities for growth in order to increase operating margins, while maintaining our strong commitment to patient care and medical excellence.

We have met and overcome many challenges presented to us this year and are still standing. Many of the competitors who came before and after are not. There are many challenges facing us this coming year. It will not be easy. However, the year 2002 gives us the opportunity to reposition GVI and allow the Corporation to be reborn. Based on successfully meeting the challenges we faced this past year and the actions taken by management to streamline operations, I believe that we can position the Corporation for a brighter future which will see a new era of growth and profitability.

I would like to thank our Board of Directors for sharing their experience and providing strategic guidance and support over this past year. I would also like to extend our thanks to Aris for its financial and managerial support. The people who work for GVI – whether they work directly with our patients or in other areas – also deserve our appreciation for their continued perseverance and ongoing commitment to quality.

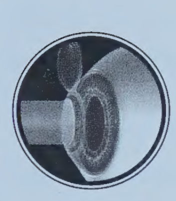
Craig K. Lavelle
President & Chief Executive Officer
June 28, 2002

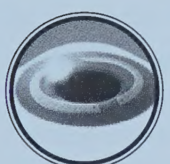
Management's Discussion and Analysis should be read in conjunction with the audited financial statements for the year ended December 31, 2001 enclosed herewith.

Introduction

Gimbel Vision International Inc. (the "Corporation") was originally incorporated in June 1994 as Shooting Star Technologies Inc. ("Shooting Star"). A reverse take over effective March 31, 1995 resulted in Shooting Star acquiring all of the shares of I Care Services II Ltd., the operating company for Gimbel Eye Centres in Canada. The Corporation changed its name to Gimbel Vision International Inc. in June 1997.

For the year ended December 31, 2001, the Corporation owned or was partnered with refractive vision correction centres located in North America, Thailand and China. The table below sets out the individual eye surgery centre locations, and ownership interest therein, for each of the Corporation's continuing operations as at December 31, 2001.





Location	Ownership
Vancouver, British Columbia, Canada	100%
Calgary, Alberta, Canada	100%
Edmonton, Alberta, Canada	100%
Saskatoon, Saskatchewan, Canada	100%
Winnipeg, Manitoba, Canada	100%
Toronto, Ontario, Canada	100%
Sacramento, California, USA	52.5%
Latham, New York, USA	51.0%
Eugene, Oregon, USA**	50.4%
Las Vegas, Nevada, USA*	50.0%
Bangkok, Thailand	45.0%
Beijing, China***	66.0%

* joint operating agreement

** see discussion on page 6

*** profit sharing agreement

Overview of Consolidated Results

The Corporation's overall operations and results for the year ended December 31, 2001 have been affected by certain factors, namely:

- Majority interest in the Corporation acquired by Aris Vision, Inc. ("Aris") on March 31, 2001.
- Reduction in staff at the head office after the Aris acquisition.
- Intensified competition in the refractive vision correction market.
- Continuing price compression in the Canadian and U.S. markets.
- Negative publicity regarding the risks arising from refractive vision correction.
- Economic slow down amplified by September 11, 2001 terrorist attacks.
- Provision for impairment of capital assets.

These events are discussed in greater detail in the following pages.

Refractive Surgery Procedure Volumes and Revenues

Refractive Surgery Procedure Volumes

The following table sets forth the numbers of refractive procedures performed by the Corporation during the last five fiscal years.

Year	Procedure Volumes
2001	**13,061**
2000	18,156
1999	23,501
1998	16,182
1997	9,322

During the current year, total refractive procedure volumes performed by the Corporation were 13,061, a 28% decrease from the prior year. North American operations experienced procedure volume decreases with Canadian centres decreasing by 27% and United States centres decreasing by 30% from 2000. Canadian centres completed 8,504 procedures while American centres completed 3,311 procedures in fiscal 2001. Procedures performed outside North America decreased by 26% to 1,246.

Procedure volumes of existing centres were negatively impacted in the last third of the year by the economic slow down that was amplified by the terrorist attacks of September 11, 2001. As well, volumes continue to be negatively impacted by concern about the risks of night vision disturbances associated with refractive laser vision correction. The Corporation and other industry participants have and will continue to address these night vision concerns with current and future laser vision correction candidates. The Corporation believes that ongoing public education concerning this issue will cause night vision concerns to subside.

Consolidated Revenue from Continuing Operations

The following table sets forth consolidated revenue from continuing operations for the Corporation during the last five fiscal years.

Year	Consolidated Revenue
2001	**11.6**
2000	17.0
1999	21.2
1998	20.8
1997	14.9

Consolidated revenues in 2001 of $11.6 million reflect a decrease of 32% from the 2000 total of $17.0 million. The decrease in revenues is consistent with the 28% decline in procedure volumes from 2000.

The Corporation generated revenues from Canadian operations of $7.0 million, a 31% decrease from the prior year due to lower comparative volumes.

The Corporation generated revenues of $4.6 million in its United States centres, representing a decrease of 32% from the prior year. This decrease is consistent with the lower volume of refractive vision correction procedures completed in the United States during 2001.

Note 15 in the audited consolidated financial statements provides additional information regarding the Corporation's geographic reportable operating segments. As noted and discussed above in Refractive Surgery Volumes, procedure volumes and therefore corresponding revenues from existing centres were negatively impacted in the last third of the year by the economic slowdown that was amplified by the terrorist attacks of September 11, 2001, as well as continuing concerns relating to the risks of night vision disturbances arising from refractive vision correction.

Earnings From Continuing Operations

$ thousands	**2001**	2000	1999	1998	1997
Consolidated revenue	**11,595**	16,997	21,162	20,848	14,930
Expenses					
Operating	**11,487**	16,398	16,486	15,336	10,299
Interest	**420**	478	478	506	339
Depreciation and amortization	**2,184**	2,064	1,904	2,037	1,515
Total expenses	**14,091**	18,940	18,868	17,879	12,153
Total expenses as a percentage of consolidated revenues	**122%**	111%	89%	86%	81%
Earnings (loss) from continuing operations before write-down of capital assets, restructuring charges, gain on closure of centres, loss on disposal of capital assets, equity in associated company, income taxes and non-controlling interest	**(2,496)**	(1,943)	2,294	2,969	2,777

Total expenses for 2001 were $14.1 million, 122% of consolidated revenues, as compared to $18.9 million, 111% of consolidated revenues, for 2000. Analysis of year-over-year variances for the three components of total expenses, operating, interest and depreciation and amortization, is as follows:

Current year operating expenses reached $11.5 million or 99% of consolidated revenue as compared to $16.4 million or 96% in 2000. Factors contributing to the rise in current year operating expenditures as a percentage of consolidated revenues include the decline in volumes from all geographic segments during the year. The Corporation responded to declining volumes with the following initiatives: implementing a new pricing structure at its Canadian centres, reviewing the pricing structure and performance of its international centres, implementing a more focused marketing program, and reducing corporate and certain centre staff levels.

Interest expense decreased from $478,000 in 2000 to $420,000 , which is consistent with debt that decreased from $5.8 million at the end of 2000 to $3.7 million at the end of 2001.

Depreciation and amortization expense in 2001 of $2.2 million is essentially unchanged from the prior year with depreciation on new assets offsetting the reduction in depreciation taken on older assets during the year.

As at June 30, 2001, the Corporation wrote off its investment in its Eugene, Oregon, USA subsidiary. The Eugene centre was not making a positive contribution to the financial results of the Corporation. The Corporation is in the process of formalizing its divestiture of its investment in the Eugene laser eye surgery centre. The Corporation anticipates that the Oregon Laser Eye Centre, LLC, will be filing in bankruptcy under Chapter 7 of the United States Bankruptcy Code in the next few weeks.

Net Earnings

$ thousands	**2001**	2000	1999	1998	1997
Earnings (loss) from continuing operations before write-down of capital assets, restructuring charges, gain on closure of centres, loss on disposal of capital assets, equity in associated company, income taxes and non-controlling interest	**(2,496)**	(1,943)	2,294	2,969	2,777
Earnings (loss) from continuing operations before taxes and non-controlling interest	**(5,089)**	(1,936)	1,933	2,682	2,675
Earnings (loss) from continuing operations	**(5,540)**	(2,160)	1,278	899	1,288
Loss from discontinued operations, net of tax	**–**	–	–	(897)	(276)
Net earnings (loss)	**(5,540)**	(2,160)	1,278	2	1,012
Net earnings (loss) per common share	**($0.23)**	($0.09)	$0.05	$0.00	$0.05

A decline in consolidated revenue of $5.4 million between 2001 and 2000 combined with 2001 operating expenses that decreased by $4.9 million compared to 2000, resulted in a current year loss from continuing operations before write-down of capital assets, restructuring charges, gain on closure of centres, loss on disposal of capital assets, equity in associated company, income taxes and non-controlling interest of $2.5 million compared to a loss of $1.9 million in 2000. As previously noted, procedure volumes declined significantly, particularly in the latter third of the year.

The Corporation's net loss for the current year totaled $5.5 million, or $0.23 per share, as compared to the prior year's loss of $2.2 million and $0.09 per share. The loss in 2001 compared to the loss in 2000 was due to:

- Decreased revenue caused by lower procedure volumes.
- Provision for restructuring charges due to the acquisition of control by Aris on March 30, 2001.
- Provision for impairment of capital assets.
- Write-off of future tax asset.

Year	Cash Provided by Continuing Operations
2001	**378**
2000	419
1999	2,619
1998	2,601
1997	1,821

Liquidity and Financial Resources

$ thousands	**2001**	2000	1999	1998	1997
Cash and bank indebtedness	**229**	1,272	4,413	3,877	1,620
Other current assets	**412**	1,164	1,483	1,624	3,062
Total current assets	**641**	2,436	5,896	5,501	4,682
Current liabilities	**3,923**	3,847	2,879	4,774	5,099
Working capital	**(3,282)**	(1,411)	3,017	727	(417)
Long term debt and lease obligations	**1,989**	3,360	3,033	4,246	3,643
Shareholder's equity	**(26)**	5,489	7,682	5,170	3,696
Debt to equity ratio	**(76.5)**	0.61	0.39	0.82	1.01

Cash generated from continuing operations was $378,000 in the current year. With cash from operations being low, and after cash outflow for financing and investing activities (see Consolidated Statements of Cash Flows in financial statements), the Corporation's 2001 cash balance decreased 82% from the prior year to $229,000 by year end.

Working capital declined to a deficit position of $3.3 million in the current year. The decrease in 2001 working capital was predominantly due to payments on loan and capital lease obligations.

The Corporation's debt level decreased during the year due to the closure of the Oregon centre and payments on debt obligations during the year.

Subsequent to December 31, 2001, the Corporation is in arrears in respect of certain of its obligations under capital leases. The Corporation is in discussions with its lenders to restructure its obligations under capital leases. The future success of the Corporation depends on the continued support of these lenders and other creditors.

Business Environment

Share Exchange

On March 30, 2001 Aris purchased all of the direct and indirect interests in the Corporation held by Dr. Howard V. Gimbel and Mrs. Judith A. Gimbel. Aris acquired this majority interest in the Corporation in exchange for shares in Aris. During the time since the share exchange, the Corporation has benefited from its access to Aris' management and marketing expertise. Through the implementation of Aris' business development strategies, the Corporation has been successful in developing corporate contracts and developing optometric relationships.

Competitive Environment

The refractive laser eye surgery market has experienced several years of intense price competition. The Corporation remains committed to patient care and offering high quality refractive laser eye surgery at affordable and competitive prices. Management has developed a business strategy that focuses on building success at existing locations rather than expanding into saturated markets. While maintaining a commitment to quality, steps have been taken to ensure the competitiveness of the Corporation by reducing costs.

Technology

Technology is a significant component in the laser eye surgery market. The Corporation is aware of this risk and is seeking opportunities to diversify its operations. The Corporation is working to bring new technologies to its facilities that will complement existing services. Management believes that through this expansion, the Corporation will have opportunities for growth that will in turn increase operating margins.

Outlook

The refractive laser eye surgery centres currently owned by the Corporation or in which the Corporation has an ownership interest and those to be established in the future will continue to focus on providing high quality patient care at an affordable price. Management believes that its efforts to reduce costs, the disposition of non-contributing centres, and the diversification of services will allow the Corporation to create value for its shareholders.

The accompanying Consolidated Financial Statements and information in the Annual Report are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include amounts that are based on estimates and judgments. Financial information contained elsewhere in this Annual Report is consistent with the Consolidated Financial Statements.

Management has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that financial information is reliable and accurate. Management believes that these controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements.

The Board of Directors carries out its responsibility for the financial statements through its Audit Committee, which consists entirely of outside members of Gimbel Vision International Inc.'s (the "Corporation") Board of Directors. The Audit Committee meets with management and the external auditors to discuss and review audit and financial matters, and recommends the financial statements to the Corporation's Board of Directors for approval. The Corporation's external auditors have full and free access to the Audit Committee.

KPMG, the Corporation's external auditors, have audited the Corporation's Consolidated Financial Statements in accordance with generally accepted auditing standards and have provided an independent professional opinion thereon.

Craig K. Lavelle
President and Chief Executive Officer

Lawrence D. Kearl
Chief Financial Officer

Calgary, Canada
March 8, 2001

We have audited the consolidated balance sheets of Gimbel Vision International Inc. as at December 31, 2001 and 2000 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 22, 2002

As at December 31,	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	**$ 228,821**	$ 1,271,667
Accounts receivable	**20,796**	367,362
Income taxes recoverable	**–**	305,000
Inventory	**235,408**	324,834
Prepaid expenses	**155,500**	166,900
	640,525	2,435,763
Investment (note 5)	**245,157**	340,391
Deferred development costs (note 6)	**–**	112,848
Future income tax asset (note 7)	**–**	449,000
Capital assets (note 9)	**5,360,173**	9,413,016
Goodwill	**–**	55,391
	$ 6,245,855	$ 12,806,409
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 1,385,769**	$ 1,415,726
Restructuring costs	**352,279**	–
Note payable (note 14(b))	**430,140**	–
Current portion of obligations under capital lease (note 11)	**1,295,504**	1,849,171
Current portion of long-term debt (note 12)	**459,315**	582,415
	3,923,007	3,847,312
Restructuring costs	**164,805**	–
Obligations under capital lease (note 11)	**1,764,675**	2,951,627
Long-term debt (note 12)	**223,999**	408,553
Non-controlling interest	**195,358**	109,911
Shareholders' equity (deficiency):		
Share capital (note 13)	**4,692,734**	4,692,734
Cumulative translation adjustment	**53,555**	28,823
Retained earnings (deficit)	**(4,772,278)**	767,449
	(25,989)	5,489,006
Future operations (note 2)		
Contingent liabilities (note 18)		
Subsequent events (note 19)		
	$ 6,245,855	$ 12,806,409

See accompanying notes to consolidated financial statements.

Approved by the Board:

Hakan Edstrom
Director

Youssef "Joe" Wakil
Director

> CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

As at December 31,	2001	2000
Revenues	$ 11,594,792	$ 16,996,756
Expenses:		
Operating	11,486,734	16,397,866
Interest on long-term obligations	419,769	478,119
Depreciation and amortization	2,184,022	2,063,810
	14,090,525	18,939,795
Loss before the undernoted items	(2,495,733)	(1,943,039)
Write-down of capital assets	(1,845,926)	–
Restructuring charges	(785,600)	–
Equity in earnings (loss) of associated company (note 5)	(95,234)	53,880
Loss on closure of centre (note 8)	–	(47,270)
Gain on disposal of capital assets	133,981	–
Loss before income taxes and non-controlling interest	(5,088,512)	(1,936,429)
Income taxes (note 7):		
Current recovery	(10,125)	(105,070)
Future	449,000	–
	438,875	(105,070)
Loss before non-controlling interest	(5,527,387)	(1,831,359)
Non-controlling interest	(12,340)	(328,591)
Net loss	(5,539,727)	(2,159,950)
Retained earnings, beginning of year	767,449	2,927,399
Retained earnings (deficit), end of year	$ (4,772,278)	$ 767,449
Net loss per Common Share, basic and diluted	$ 0.23	$ 0.09

See accompanying notes to consolidated financial statements.

As at December 31,	2001	2000
Cash flows from (used in) operating activities:		
Net loss	$ (5,539,727)	$ (2,159,950)
Items not involving cash:		
Depreciation and amortization	2,184,022	2,063,810
Non-controlling interest	12,340	328,591
Equity in (earnings) losses of associated company	95,234	(53,880)
Write-down of capital assets	1,845,926	–
Loss on closure of centre	–	47,270
Gain on disposal of capital assets	(133,981)	–
Gain on closure of centre	(166,795)	–
Future income taxes	449,000	–
	(1,087,186)	225,841
Changes in non-cash operating working capital (note 17)	1,464,711	192,789
Cash provided by operations	377,525	418,630
Cash flows from (used in) financing activities:		
Proceeds from capital lease obligations	347,750	–
Proceeds from note payable	155,000	–
Repayment of capital lease obligations	(1,689,842)	(1,467,058)
Payment of distributions to non-controlling interest	(334,031)	(542,008)
Repayment of long-term debt	(338,380)	(316,856)
Proceeds on issuance of share capital, net of share issue costs	–	(29,297)
	(1,859,503)	(2,355,219)
Cash flows from (used in) investing activities:		
Additions to capital assets	(58,988)	(1,425,927)
Investment by non-controlling interest	262,790	262,756
Closure of centre cash effect	(8,279)	(36,385)
Deferred development costs	–	(86,738)
Distribution received from equity investment	–	68,277
Proceeds on disposal of capital assets	221,832	–
	417,355	(1,218,017)
Effect of currency translation adjustments on cash flows	21,777	13,844
Decrease in cash and cash equivalents	(1,042,846)	(3,140,762)
Cash and cash equivalents, beginning of year	1,271,667	4,412,429
Cash and cash equivalents, end of year	$ 228,821	$ 1,271,667

See accompanying notes to consolidated financial statements.

Years ended December 31, 2001 and 2000

Gimbel Vision International Inc. (the "Corporation") is a public corporation that develops and operates ophthalmic surgery centres. The Corporation also provides ophthalmic practitioners with equipment required to operate ophthalmic surgery centres.

1. CHANGE IN CONTROL:

Effective March 30, 2001, Aris Vision Inc. ("Aris") of Los Angeles, California, completed a share exchange with the previous controlling shareholders of the Corporation in which Aris acquired a majority interest in the Corporation in exchange for shares of Aris.

2. FUTURE OPERATIONS:

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assume that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Corporation sustained a loss of $5,539,727 for 2001 and at December 31, 2001 the Corporation had a working capital deficiency of $3,282,482. Management is restructuring the operations and is continuing to pursue strategic business combination opportunities.

The application of the going concern concept is dependent upon the success of future operations and the continued support of its lenders and creditors. If the going concern assumption was not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying values of assets and liabilities and shareholders' deficiency and in the balance sheet classifications used.

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) *Basis of presentation:*

These consolidated financial statements include the accounts of the Corporation and its subsidiaries.

The Corporation's investment in a U.S. joint venture has been accounted for using the proportionate consolidation method, whereby the Corporation's proportionate share of revenues, expenses, assets and liabilities are included in the accounts.

The Corporation's investment in a significantly influenced company has been accounted for using the equity method of accounting.

(b) *Use of estimates:*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Corporation to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(c) *Cash and cash equivalents:*

Cash and cash equivalents consists of bank deposits and short-term investments with maturities of three months or less.

(d) *Inventory:*

Inventory consists of medical supplies and is valued at the lower of cost and replacement cost.

(e) *Capital assets:*

Capital assets are stated at historical cost. Depreciation of furniture and equipment and laser and medical equipment is provided on a declining balance basis at rates from 20% to 30% which allocate the cost of the assets over their estimated economic lives. Leasehold improvements are amortized on a straight-line basis over five years. Equipment under capital lease is initially recorded at the present value of minimum lease payments at the inception of the lease. Maintenance and repair costs are expensed as incurred.

(f) *Deferred development costs:*

Deferred development costs are comprised of expenses incurred in establishing and opening of new eye surgery centres.

A centre's pre-opening period begins when expenditures are first incurred and ends with the commencement of operations of the related centre. Amortization of costs is provided over the anticipated period of economic benefit which is estimated to be three years from the centre's commencement of operations. At each balance sheet date, management assesses the appropriateness of the deferred development costs balance, taking into consideration any events and circumstances which might have impaired the fair value.

(g) *Goodwill:*

Goodwill represents the excess of the purchase price of businesses acquired over the fair value of the identifiable assets acquired and is amortized over five years. At each balance sheet date, management assesses the appropriateness of the goodwill balance, taking into consideration any events and circumstances which might have impaired the fair value.

(h) *Revenue recognition:*

The Corporation recognizes revenue for services at the time the services are provided.

(i) *Translation of foreign currencies:*

The assets and liabilities of foreign operations, all of which are self-sustaining, are translated at exchange rates in effect at the balance sheet date. Revenue and expense items are translated at average exchange rates prevailing during the period. The resulting gains and losses are accumulated in the cumulative translation adjustment in shareholders' equity.

(j) *Income taxes:*

The Corporation uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(k) *Per share calculations:*

Loss per share amounts have been calculated using the weighted average number of Common Shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under this method, all options whose average price is less than or equal to the average share price for the period to date are considered outstanding.

(l) *Stock option plan:*

The Corporation has a stock option plan which is described in note 13(c). No compensation expense is recognized when stock options are issued under the plan. The consideration received on exercise of stock options is credited to share capital.

4. CHANGE IN ACCOUNTING POLICY:

The Corporation adopted a new standard with respect to per share amounts, effective January 1, 2001. The new standard requires the use of the treasury stock method for calculating diluted earnings per share. Under this method all options whose average price is less than or equal to the average share price for the period to date are considered outstanding. There was no impact on earnings per share for the years ended December 31, 2001 and 2000.

5. INVESTMENT:

The Corporation has 45% interest in a refractive vision correction centre in Thailand.

	2001	2000
Balance, beginning of year	$ 340,391	$ 354,788
Equity in earnings (losses)	(95,234)	53,880
Distributions received	–	(68,277)
	(95,234)	(14,397)
Balance, end of year	$ 245,157	$ 340,391

6. DEFERRED DEVELOPMENT COSTS:

	2001	2000
Deferred development costs	$ 482,479	$ 482,479
Less accumulated amortization	(482,479)	(369,631)
	$ –	$ 112,848

7. INCOME TAXES:

Income tax expense differs from the amounts which would be obtained by applying the combined federal and provincial statutory income tax rate to the respective year's losses before income taxes and non-controlling interest. These differences are as follows:

	2001	2000
Canadian statutory tax rate	42.1%	44.6%
Computed tax recovery based on effective rate applied to losses before income taxes and non-controlling interest	$ (2,142,264)	$ (863,647)
Increase (decrease) resulting from:		
Future tax valuation adjustment	449,000	–
Unrecognized benefit of losses	2,146,242	801,460
Expenses not deductible for tax	23,320	144,099
Benefit of previously unrecognized losses	–	(82,116)
Loss on closure of centre	–	21,082
Non-controlling interest	(5,195)	(146,552)
Differences in foreign tax rates	9,917	4,891
Other	(42,145)	15,713
	2,581,139	758,577
	$ 438,875	$ (105,070)

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2001 and 2000 are presented below:

	2001	2000
Future tax assets:		
Tax losses available for carryforward	$ 2,022,123	$ 1,307,690
Share issuance costs available for deduction	29,542	93,890
Tax basis of capital assets greater than book value	1,327,382	–
	3,379,047	1,401,580
Less valuation allowance	(3,379,047)	(801,460)
	–	600,120
Future tax liabilities:		
Tax basis of capital assets less than book value	–	(151,120)
Net future tax asset	$ –	$ 449,000

The Corporation has losses for income tax purposes of approximately $4.8 million which can be carried forward and charged against future income. These losses expire at various times between 2003 and 2008.

8. LOSS ON CLOSURE OF CENTRE:

Effective December 31, 2000 the Corporation wrote off its investment in its Houston centre, resulting in the liquidation of the subsidiary's assets and repayment of its liabilities. The estimated shortfall of assets over liabilities as at December 31, 2000, as well as the estimated loss resulting from the write-off of the investment and advances made to the subsidiary, was recorded by the Corporation in the year ended December 31, 2000. The revenues and expenses of the Houston subsidiary for the year have been reflected in the appropriate revenue and expense classifications in the statement of operations.

9. CAPITAL ASSETS:

2001	**Cost**	**Accumulated depreciation and amortization**	**Net book value**
Laser and medical equipment	**$ 10,924,360**	**$ 6,744,795**	**$ 4,179,565**
Furniture and equipment	**2,331,649**	**1,534,291**	**797,358**
Leasehold improvements	**1,354,867**	**971,617**	**383,250**
	$ 14,610,876	**$ 9,250,703**	**$ 5,360,173**

2000	Cost	Accumulated depreciation and amortization	Net book value
Laser and medical equipment	$ 11,731,434	$ 5,236,577	$ 6,494,857
Furniture and equipment	2,299,485	456,321	1,843,164
Leasehold improvements	1,493,820	418,825	1,074,995
	$ 15,524,739	$ 6,111,723	$ 9,413,016

The cost and accumulated depreciation of capital assets under capital leases at December 31, 2001 amounted to $7,628,372 and $4,229,341, respectively (2000 - $7,945,967 and $2,781,302, respectively).

Included in furniture and equipment is approximately $nil of capital assets (2000 - $1,200,600) which are not being depreciated as they are not yet available for use.

10. FINANCIAL INSTRUMENTS:

The carrying values of accounts receivable, income taxes recoverable and accounts payable, accrued liabilities and restructuring costs payable approximate their fair values. The fair value of obligations under capital leases and long-term debt included in the consolidated balance sheet are not considered to be materially different from their carrying value. The fair value of the note payable could not be determined because no market exists for this instrument.

11. OBLIGATIONS UNDER CAPITAL LEASE:

Capital leases have implicit rates of interest ranging from variable rates of the bank's prime rate plus 1% to 2 1/2% to fixed rates of 7.4% to 13.75%. Interest paid on capital leases during the year was $349,309 (2000 - $392,125). Future minimum lease payments, including implicit interest, are as follows:

2002	$ 1,515,424
2003	962,167
2004	777.625
2005	214,517
2006	–
	3,469,733
Less implicit interest	409,554
	3,060,179
Current portion	1,295,504
	$ 1,764,675

12. LONG-TERM DEBT:

	2001	2000
Bank term loan, repayable in monthly installments of $18,688 including interest at 7.79%, to December 2003	**$ 433,314**	$ 590,968
Bank term loan, repayable in monthly installments of $12,500 plus interest at the bank's prime rate plus 3/4% to August 2003, plus additional quarterly principal payments of $100,000 in the event certain conditions exist	**–**	400,000
Demand loan, repayable in monthly installments of $12,500 plus interest at the prime rate plus 7%, to August 2003. Secured by a general security agreement on all present and after acquired property held in connection with the Corporation's centres in Alberta	**250,000**	–
	683,314	990,968
Less current portion	**459,315**	582,415
	$ 223,999	$ 408,553

The Corporation has also guaranteed the debt of a joint venture partner in the amount of $433,314.

Interest paid on long-term debt during the year was $70,460 (2000 - $85,994). The bank term loans are secured by certain capital assets. Principal repayments for the next two years are as follows:

2002	$ 459,315
2003	223,999
	$ 683,314

13. SHARE CAPITAL:

(a) *Authorized:*

Unlimited number of voting Common Shares without nominal or par value

Unlimited number of non-voting Class A Preferred Shares without nominal or par value

(b) *Issued:*

Common Shares:	Number of Shares	Amount
Balance, December 31, 1999	24,500,432	$ 4,722,031
Exercise of options for cash	47,250	9,450
Repurchase and cancellation of shares	(47,250)	(38,747)
Balance, December 31, 2000 and 2001	24,500,432	4,692,734

(c) *Stock option plan:*

The Corporation has established a stock option plan for its directors, officers and key employees whereby an amount of options may be granted subject to certain terms and conditions to a maximum of 10% of the Corporation's issued and outstanding Common Shares to a maximum of 2,445,318 Common Shares. The maximum length of any option is five years from the date the option is granted. Options granted under the plan vest at the times specified by the Board at the time of grant. In the past, options have normally vested in equal amounts over the first three years after grant. At December 31, 2001 the exercise price of outstanding stock options ranged from $0.33 to $1.48 per Common Share.

Changes in the number of options, with their weighted average exercise prices, are summarized below:

	Shares	Average exercise price
Options outstanding, December 31, 1999	1,597,250	$ 1.10
Granted	475,000	0.33
Cancelled	(53,000)	1.07
Exercised	(47,250)	0.20
Options outstanding, December 31, 2000	1,972,000	0.94
Granted	–	–
Cancelled	(770,750)	0.98
Exercised	–	–
Options outstanding, December 31, 2001	1,201,250	$ 0.91

The outstanding options of the Corporation are summarized below:

Range of exercise prices	Number outstanding at December 31, 2001	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable at December 31, 2001	Weighted average exercise price
$ 0.33 to 0.70	662,250	2.67	$ 0.53	662,250	$ 0.53
$ 1.04 to 1.07	129,000	0.37	1.05	129,000	1.05
$ 1.48	410,000	2.44	1.48	410,000	1.48
$ 0.33 to 1.48	1,201,250	2.34	$ 0.91	1,201,250	$ 0.91

14. RELATED PARTY TRANSACTIONS:

(a) The Corporation made the following payments to its former shareholders:

	2001	2000
Rent	**$ 440,624**	$ 554,368
Medical supplies	**360,459**	230,824

At December 31, 2001 a balance of $428,354 included in accounts payable is due to its former shareholders (2000 - $168,693 included in accounts receivable).

(b) At December 31, 2001 a balance of $155,000 included in notes payable is due to Aris, the Corporation's majority shareholder. This note bears interest at 15% per annum and has a maturity of one year, and, subject to regulatory approval, is convertible for one year from the issue date to warrants redeemable for common voting shares of the Corporation at $0.05 per share.

At December 31, 2001 a balance of $275,140 included in notes payable is due to Aris Vision Alberta Inc. a subsidiary of the Corporation's majority shareholder. This demand promissory note bears simple interest at the prime rate per annum.

(c) During the year ended December 31, 2001 the Corporation paid $76,140 (2000 - $82,759) for consulting services provided through corporations controlled by directors of the Corporation.

(d) During the year ended December 31, 2001 the Corporation paid $nil (2000 - $56,560) for consulting services provided by a director of the Corporation.

15. SEGMENTED INFORMATION:

The Corporation's reportable operating segments are geographic regions all of which operate refractive vision correction centres. Each segment operates independently and within differing regulatory regions.

The accounting polices for the segments are the same as those described in the summary of significant accounting policies.

2001 (In thousands of dollars)	**Canada**	**United States**	**Asia**	**Total**
Revenue	**$ 7,027**	**$ 4,568**	**$ –**	**$ 11,595**
Earnings (loss) before the undernoted items	**$ (1,083)**	**$ 444**	**$ –**	**$ (639)**
Depreciation and amortization	**1,373**	**750**	**61**	**2,184**
Write-down of capital assets	**1,124**	**722**	**–**	**1,846**
Interest expense	**233**	**187**	**–**	**420**
Non-controlling interest	**–**	**12**	**–**	**12**
Income tax expense (recovery)	**454**	**(15)**	**–**	**439**
Segment loss	**$ (4,267)**	**$ (1,212)**	**$ (61)**	**$ (5,540)**
Segment assets	**$ 4,560**	**$ 1,593**	**$ 93**	**$ 6,246**
Segment capital assets	**4,065**	**1,202**	**93**	**5,360**
Expenditures for segment capital assets	**38**	**21**	**–**	**59**

2000 (In thousands of dollars)	Canada	United States	Asia	Total
Revenue	$ 10,165	$ 6,832	$ –	$ 16,997
Earnings (loss) before the undernoted items	$ 797	$ (341)	$ –	$ 456
Depreciation and amortization	970	864	230	2,064
Interest expense	209	269	–	478
Non-controlling interest	–	329	–	329
Income tax expense (recovery)	7	(112)	–	(105)
Segment loss	$ (389)	$ (1,691)	$ (230)	$ (2,310)
Segment assets	$ 8,768	$ 3,884	$ 154	$ 12,806
Segment capital assets	5,698	3,561	154	9,413
Segment goodwill	–	55	–	55
Expenditures for segment capital assets	2,288	2,228	–	4,516

16. INVESTMENT IN JOINT VENTURE:

The following is a summary of the Corporation's proportionate share of the financial position, operating results and cash flows of its U.S. joint venture investment:

	2001	2000
Assets:		
Current assets	$ 67,188	$ 169,666
Capital assets	82,864	615,099
	$ 150,052	$ 784,765
Liabilities and equity:		
Current liabilities	$ 224,545	$ 190,012
Long-term debt	223,999	408,552
Retained earnings (deficit)	(298,492)	186,201
	$ 150,052	$ 784,765
Revenues	$ 318,971	$ 887,570
Expenses:		
Costs and expenses	303,495	699,132
Depreciation	127,008	151,296
Write-down of capital assets	337,627	–
Interest and bank charges	44,259	60,394
	812,389	910,822
Net loss	$ (493,418)	$ (23,252)
Cash flows from (used in):		
Operating activities	$ 39,225	$ 199,325
Financing activities	(157,654)	(361,955)
Investing activities	67,600	(30,793)
	$ (50,829)	$ (193,423)

17. SUPPLEMENTARY CASH FLOW INFORMATION:

Changes in non-cash working capital:	2001	2000
Change in accounts receivable	$ 297,921	$ 344,315
Change in inventory	86,161	175,630
Change in prepaid expenses	12,619	96,382
Change in accounts payable and accrued liabilities	763,010	120,347
Change in income taxes payable/recoverable	305,000	(543,885)
	$ 1,464,711	$ 192,789
Cash interest paid during the year	$ 419,769	$ 478,119
Cash income taxes paid during the year	$ 4,905	$ 564,373

18. CONTINGENT LIABILITIES:

The Corporation is contingently liable with respect to an equipment lease obligation relating to a centre closed during the year for which the Corporation is a guarantor in the approximate amount of $395,000.

19. SUBSEQUENT EVENTS:

(a) On January 14, 2002 and February 28, 2002, Aris, the Corporation's majority shareholder, loaned the Corporation US $200,000 (Cdn $318,520) and US $60,000 (Cdn $95,556), respectively. These notes bear interest at 15% per annum and have a maturity of one year. These notes, subject to regulatory approval, are convertible from one year from the issue date to warrants redeemable for common voting shares of the Corporation at Cdn $0.05 and Cdn $0.08 per share, respectively.

(b) On February 6, 2002, the Corporation sold its interest in its Sacramento centre for US $74,000 (Cdn $118,400).

(c) On March 26, 2002, the Corporation sold substantially all of its interest in the centre in Bangkok, Thailand for $217,917. After the sale the Corporation retained a 5% interest.

(d) Subsequent to December 31, 2001, the Corporation is in arrears in payments with respect to certain of its obligations under capital leases. Given the existence of cross-violation debt covenants, substantially all of the Corporation's obligations under capital leases will be required to be classified as current liabilities should the covenant breach not be cured.

CORPORATE INFORMATION

Board of Directors*

Clifford M. James (2)
Chairman and Director
Calgary, Alberta
President and Chief Executive Officer
TVI Pacific Inc.

Hakan Edstrom (1)
Director
Newhall, California
President and Chief Operating Officer
MannKind Corporation

Karen Gimbel
Director
Calgary, Alberta

Craig K. Lavelle (1)
Director
St. Louis, Missouri
President and Chief Executive Officer
Gimbel Vision International Inc.

Robert McInnes (1)
Director
Calgary, Alberta
President
540 Management Inc.

Youssef (Joe) Wakil
Director
Houston, Texas
Chairman and Chief Executive Officer
Tracey Technology, LLC

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
* As of December 31, 2001

Officers

Craig K. Lavelle
President and Chief Executive Officer

Lawrence D. Kearl
Chief Financial Officer

Investor Relations Contact

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Investor Relations
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Auditors

KPMG Chartered Accountants LLP
Calgary, Alberta

Stock Exchange Listing

TSX Venture
Exchange Symbol: **GBV**

Gimbel Vision International Inc. ("GVI") is committed to maintaining high standards of corporate governance. A summary of the responsibilities of the governing bodies of the Corporation is contained in the Corporation's Management Information Circular.

GVI's Board of Directors holds ultimate responsibility for the strategic governance of the Corporation. The Corporation supports good corporate governance through practices directed at the responsibilities, composition, and independence of the Board and its committees.

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